

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 IO-13 ISO-00 AGR-10 AID-05 CEA-01

CIAE-00 COME-00 FRB-01 INR-07 NSAE-00 CIEP-02 SP-02

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC 4947

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USDEL MTN GENEVA

UNCLAS LONDON 13590

PASS AGRICULTURE

TAGS: EAGR, UK

SUBJECT: CONTROVERSY IN UK OVER FINANCIAL AID FOR
DROUGHT STRICKEN FARMERS

BEGIN SUMMARY. THE UK DROUGHT HAS CONSIDERABLY WORSENERED
DURING THE PAST WEEK. BRITISH FARMERS CALL FOR SPEEDY
GREEN POUND DEVALUATION BUT SO FAR NO GOVERNMENT ACTION
ON THIS OR OTHER MEASURES HAS BEEN TAKEN. FOOD MANUFAC-
TURERS' AND CONSUMERS' ASSOCIATIONS ARE BITTERLY OPPOSED
TO GREEN POUND MOVE. END SUMMARY

1. DURING PAST WEEK THE DROUGHT HAS BECOME MUCH WORSE

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IN THE UK WITH DAY TEMPERATURES MOSTLY IN EXCESS OF 80

DEGREES FAHRENHEIT EACH DAY, LOW HUMIDITY, HOT SUNSHINE AND OFTEN A STIFF DRYING BREEZE. EFFECTS OF DROUGHT ARE NOW MOVING NORTH AND WEST INTO AREAS WHERE SITUATION WAS PREVIOUSLY NOT SO BAD AS IN EAST, SOUTH-EAST, MIDLANDS AND SOUTH WALES. POTATO AND SUGAR BEET CROPS NOW IN GREAT DANGER ALONG WITH AUTUMN AND WINTER VEGETABLES AND SUPPLEMENTARY FEED CROPS LIKE ROOTS, KALE AND BEANS.

2. PRESIDENT OF NFU IS STRONGLY PRESSING FOR DEVALUATION OF GREEN POUND WHICH IS NOW MORE THAN 20 PERCENT OUT OF ALIGNMENT WITH TRUE INTERNATIONAL MARKET VALUE OF STERLING ALTHOUGH FULL DEVALUATION IS NOT BEING PRESSED FOR. NFU CLAIMS THAT ONLY THROUGH HIGHER PRICES CAN FARMERS SURMOUNT COSTS ALREADY INCURRED THROUGH SUPPLEMENTARY FEEDING, CROP LOSSES AND EVEN MORE SEVERE PROBLEMS TO COME OF LITTLE OR NO PASTURE DURING COMING AUTUMN AND WINTER.

3. CONSUMERS' ASSOCIATION AND FOOD MANUFACTURERS' FEDERATION HAVE STRONGLY ATTACKED NFU STAND ON GREEN POUND ISSUE SAYING IT WOULD BE TOTALLY UNJUSTIFIED. FOOD MANUFACTURERS SAY THE DROUGHT IS REGIONAL IN EFFECT AND SHORTFALLS IN PRODUCTION WILL IN ANY CASE BE COMPENSATED FOR BY HIGHER MARKET PRICES WITHOUT GREEN POUND DEVALUATION. CONSUMERS' ASSOCIATION CLAIM FOOD PRICES COULD RISE BY 6 PERCENT IF NFU CLAIM IS MET. OTHER CRITICS, INCLUDING FIRST LEADING ARTICLE IN TIMES NEWSPAPER. SAY THAT GREEN POUND DEVALUATION WILL IN ANY CASE ONLY APPLY TO CAP COMMODITIES AND DO NOTHING FOR SUCH IMPORTANT CROPS AS POTATOES AND VEGETABLES. MANY AUTHORITIES, WHILE ACKNOWLEDGING GREEN POUND-STERLING DISPARITY CANNOT BE ALLOWED TO CONTINUE FOR MUCH LONGER, FEEL IT WOULD BE WRONG TO LINK A DEVALUATION DIRECTLY WITH THE DROUGHT.

4. MINISTRY OF AGRICULTURE HAS NOT YET MADE ANY MOVE DIRECTLY TO HELP FARMERS SURMOUNT THEIR PROBLEMS. DEVALUATION IS CERTAINLY BEING CONSIDERED BUT MINISTRY SEEMS TO BE MORE PREPARED TO CONSIDER DROUGHT AID BASED ON SHORT-TERM SELECTIVE MEASURES SUCH AS RE-SEEDING GRANTS FOR PASTURES, SUBSIDIES ON FODDER TRANSPORT FROM

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LESS SEVERELY HIT AREAS, TAX EQUALISATION SCHEMES TO ENABLE FARMERS TO OFFSET BAD YEAR LOSSES AGAINST GOOD YEAR GAINS AND OTHER SELECTIVE SHORT-TERM SUBSIDIES AND GRANTS.

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